Distr.
GENERAL

GC.7/15
IDB.17/20
11 June 1997

United Nations Industrial Development Organization

ORIGINAL : ENGLISH

GENERAL CONFERENCE

Seventh session
Vienna, 1-5 December 1997

Industrial Development Board

Seventeenth session
Vienna, 23-27 June 1997
Item 12 (c) of the provisional agenda

THE REGIONAL DIMENSION: SPECIAL PROGRAMME FOR THE INDUSTRIAL DEVELOPMENT OF ASIA AND THE PACIFIC

UNIDO activities in Asia and the Pacific

Report by the Director-General

Summary

Provides information on activities in the Asia and the Pacific region since the sixth session of the General Conference, in 1995.

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 9	2
Chapter			
I.	TARGET COUNTRIES OF THE SPECIAL PROGRAMME	10 - 11	3
II.	REGIONAL MINISTERIAL MEETING	12 - 13	3
III.	REGIONAL AND SUBREGIONAL PROJECTS	14 - 25	3
IV.	ACTION REQUIRED OF THE BOARD	26	5

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.97 24409 (E) (a:\1997\pmo 2)

Distr.: 16 June 1997

Introduction

1. In response to General Conference resolution GC.6/Res.13, efforts were made to reorient UNIDO activities in the Asia and Pacific region towards a sharper focus on the special needs of the least developed countries (LDCs) in conformity with the general approach endorsed by the policy-making organs in the aforementioned resolution. The present document is submitted in response to paragraph 3 of that resolution; further information on UNIDO work in the region can be found in the *Annual Report of UNIDO* 1996 (IDB.17/10, chap.V, paras. 40-46).

2. To provide such a sharper focus, the programme activities addressed some of the tenets of sustainable development and its social dimensions, among them, promoting entrepreneurship, especially the role of women entrepreneurs, small and medium industries based on the utilization of locally available raw materials and technologies, improvement of indigenous capacity in technology-cum-product development and marketing, environmental issues, attracting foreign investment, human resources development and enhancing agriculture and industry linkages. Activities undertaken during the reporting period have also been conceived taking into account the recommendations contained in the New Delhi Declaration.

3. The identification, planning and implementation of UNIDO programmes and projects in Asia and the Pacific in general and in the region's least developed countries in particular is essentially determined by the following critical factors in the regional UNIDO strategy in support of industrial development: (a) monitoring salient industrial development trends; (b) the actual demand for UNIDO services as reflected in requests; and (c) the potential availability of funding for programme and project proposals.

4. The impressive economic dynamism in most countries of the region has, in the reporting period, witnessed a slackening mainly due to set-backs in export markets for technology products. Nevertheless, it continued to generate significant changes in industrial structures. Notwithstanding considerable variation in countries and subregions, industrial activity has continued to move away from a limited range of low technology and labour-intensive goods to those with a more diversified higher skill and technology base. Both in terms of trade and foreign direct investment, industry in the region has been increasingly integrated with international markets. This is largely attributable to most Governments having achieved substantial progress in regaining and maintaining macroeconomic stability on the one hand, and in progressively introducing outward-looking, export-led industrialization policies on the other.

5. However, while the above trends continued for many parts of the region, the pace and extent of economic progress and reform have differed widely with the newly industrializing economies and the Association of South-East Asian Nations (ASEAN) countries taking the lead, South Asia following at some distance, the region's economies in transition going through early phases of this process and the majority of LDCs still lagging behind.

6. To counteract the drastic decrease in the UNIDO share of United Nations Development Programme (UNDP) resources for industry-related programmes and projects in the region, and in view of the difficulties faced in mobilizing resources from within the region (with the exception of substantial amounts contributed to the Industrial Development Fund (IDF) by China, India and Thailand), UNIDO intensified its efforts in 1996 and 1997 to further mobilize funds from traditional sources of funding (UNDP and IDF) and explore new sources of funding.

7. As a result, total new approvals for the region reached $31.4 million in 1996 against $17.8 million in 1995. As regards UNDP contributions, an amount of $6.5 million was mobilized in 1996 as compared with $2.4 million in 1995. However, funds mobilized under the IDF trust fund scheme amounted to only $6 million in 1996 as compared with $8.1 million for 1995. To date, only a minor portion of IDF resources required to launch the high-impact programme on application of quality principles to the food-processing sector in seven South-East Asian countries (total value $2.7 million) could be secured.

8. Special efforts were also made to tap non-traditional sources of funds such as the Multilateral Fund of the Montreal Protocol for the phasing out of ozone-depleting substances ($18.7 million in 1996 as compared with $6.7 million in 1995) and the Common Fund for Commodities (CFC). The project on Abaca—improvement of fibre extraction and identification for higher yielding varieties in the Philippines and Ecuador, with a total value of $1.6 million (of which UNIDO is to implement $760,000)—has been recently approved by CFC. Another project on control and reduction of aflatoxin levels in copra and copra cake covering Fiji, Indonesia, Micronesia, Papua New Guinea, Philippines, Solomon Islands, Vanuatu and Western Samoa (with a value of $2.2 million) is under consideration by CFC (see para. 25 below).

9. The dialogue with key development finance institutions was also intensified. In this connection, a memorandum of understanding on working arrangements between the Asian Development Bank and UNIDO was signed in December 1996 by the Director-General of UNIDO and the President of the Bank. UNIDO has also entered competitive bids for two national projects funded by the Asian Development Bank and the World Bank.

I. TARGET COUNTRIES OF THE SPECIAL PROGRAMME

10. The group of LDCs in the Asia and Pacific region includes a wide variety of countries from Bangladesh with a population of 110 million to Western Samoa with less than 200,000. Viewed from an overall perspective, the industrial bases range from fairly diversified manufacturing activities in Bangladesh to simple cottage-level production in the Lao People's Democratic Republic and the Pacific Island countries. While the urgent need is perceived in each country to accelerate industrial activities, the following constraints, *inter alia*, have been identified as common to most of them: (a) inadequate industrial policies and weak links between agricultural and industrial sectors; (b) limited supply and inconsistent quality of raw materials; (c) low level of human resources at managerial, entrepreneurial and technical skill levels; (d) poor food security systems and quality control facilities; (e) lack of support to applied R and D services and extension facilities resulting in weak links with commercial enterprises; and (f) particular constraints related to women's access to raw materials, credit, technology, education and training.

11. On its part, UNIDO seeks to reach the target groups through a synergy of activities supplementing ongoing and planned development programmes and projects with specific interventions through appropriate intermediaries in the LDCs of the region.

II. REGIONAL MINISTERIAL MEETING

12. With respect to the plan to hold a meeting of Ministers of Industry in the Asia-Pacific region, there were strong and valid arguments for joining forces with the Economic and Social Commission for Asia and the Pacific (ESCAP). However, a number of important new considerations have meanwhile arisen, including the current debate on the future of UNIDO, logistics, substantive preparation, proposed coverage of issues and the appropriate venue. Timing is a particularly crucial aspect. ESCAP has scheduled the next meeting of Ministers of Industry and Technology towards the end of November 1997.

13. Therefore, while UNIDO has agreed to participate at the ESCAP conference and will make presentations based on position papers, other options will have to be considered with regard to modalities of defining the position of the Asia and Pacific Group with respect to the items on the provisional agenda of the seventh session of the UNIDO General Conference. In view of severe budgetary constraints, all conceivable options will have to be closely scrutinized. To this effect, informal consultations have been initiated with Member States in the region.

III. REGIONAL AND SUBREGIONAL PROJECTS

14. It is generally considered that regional and subregional programmes and projects constitute a preferred instrument to cater to the specific needs of industrial development in the Asia and Pacific LDCs. Towards this end, a number of initiatives have been taken leading to the formulation and, in the instances described below, to the implementation of activities having mainly LDCs as primary target countries. The following represents an illustrative, not comprehensive, list of predominantly regionally focused projects. In addition, the relevant high-impact programmes have also been adapted and tailor-made to meet the special requirements of the countries in the region with special emphasis on LDCs.

15. A programme that covers pollution control in the tanning industry in South-East Asia addresses the issue of containment of environmental degradation emanating from that industry. Under this "umbrella project", appropriate cleaner production methods, include recycling of chemicals and chrome recovery. Activities cover testing, selecting and adopting such methods, establishing a relevant database network, disseminating information and introducing environment-friendly technologies. A full-fledged, industrial-scale pilot effluent treatment plant, a laboratory and demonstration facilities for safe sludge disposal will be installed. A comprehensive training programme including workshops and seminars with particular emphasis on technology transfer to small and medium industries is envisaged.

16. Phase II of a project on promotion and development of agro-related metalworking industries in Asian and Pacific LDCs is aimed at sustaining the momentum gained during Phase I. This second phase provides catalytic assistance to selected LDCs in the region to support agricultural production and processing by enabling them to become more effective in the production of agricultural tools used in all stages of the food-growing process. Activities are designed towards

further strengthening of the focal points in each country to be an effective source of information, technology and training for private sector entrepreneurs, establishment of information databases for raw materials demand and supply, upgrading the skills of blacksmith trainers, promotion of small-scale machinery for agro-based food-processing light industries, as well as promotion and development of commercial machinery prototypes.

17. Another regional project aims at increasing awareness and knowledge of government officials and industrial users of energy-saving technologies in the rubber and iron casting industries in both the Democratic People's Republic of Korea and China. Another project taking place in the ASEAN countries covers awareness-building through seminars/workshops and company diagnosis on the implementation of standardization and total quality management. The aim of the project is to share the experience of Japan in the field, with managers from Government and private industry from those countries. The project is an extension of an ongoing project to introduce diagnostic surveys in Indonesia, the Philippines and Singapore.

18. A project is under way to assist the 13-member Asia and Pacific Coconut Community (APCC) in strengthening the sustainability and global competitiveness of the coconut industry. This will be achieved through assistance to APCC members in the formulation of an implementation scheme of APCC codes and standards for coconut-derived products.

19. The holding of the Nanjing Forum '96 was part of a project that aims to promote technology flows from Jiangsu province, China, to other developing countries in the Asia and Pacific region. The Forum dealt with technology cooperation for small- and medium-scale industries for selected developing countries in the region. During the Forum, an indexed compendium of technology offers, investment and joint venture proposals was circulated widely to potential industrial partners in other developing countries, which increased the awareness of cooperation potentials and identified technologies of interest and potential partners.

20. In many Asian countries, artisanal and small-scale gold mining represents an enormous environmental threat because of the concomitant extensive mercury pollution associated with this type of mining. For the people involved in informal gold mining, these activities are, however, the only way of survival by providing employment and income earning opportunities. The preparatory assistance is in line with UNIDO's high-impact programme "Introducing new technologies for global abatement of mercury pollution" which was developed in 1995 for Africa and is now to be replicated for Asian countries affected by mercury pollution from artisanal mining. The project aims to provide reliable information about the environmental impact of informal gold mining in Asia and to identify practical measures and policy approaches for a regional programme that will mitigate the negative environmental impact of small-scale gold mining in Asia.

21. An investment promotion project in the Philippines included the Asian LDCs in a round-table of Investment Promotion Service (IPS) offices, Investment Promotion Agencies (IPAs) and Investment Promotion Units (IPUs) of the Asia and the Pacific region along with private sector industry. The round-table analysed and reviewed: (a) global and regional trends of foreign direct investment (FDI) flows; (b) mobilizing FDI for countries in the region, especially LDCs, both from within or outside the region; (c) UNIDO investment promotion methodologies; and (d) existing investment promotion strategies in the region. The round-table also made concrete recommendations on action to be taken: (a) on an effective promotion strategy to attract more foreign investment resources to the region, especially to LDCs; (b) on a "cleaner production centres" network inside IPSs and IPAs; (c) on promotion of infrastructure projects using the build-operate-transfer scheme; and (d) on modalities of improving coordination in the region between the network, IPS, IPAs and UNIDO.

22. The fundamental rules for competitive global manufacturing are changing with the emergence of a new approach for company organization, stressing the importance of standardization and total quality management. This approach has been closely identified with key aspects of successful Japanese manufacturers but is rapidly gaining adherence among manufacturers throughout the world. A project on introduction of total quality management and standardization at the company level in ASEAN member countries provides those countries with information and experience on effective tools and methodologies for enhancing a company's productivity through quality management, based on the experience of Japan.

23. An environment-related project on control and regulatory measures concerning motor vehicle emissions is a follow-up to a project that ended in 1995. The second phase foresees preparing guidelines on development and enhancement of motor vehicle emission control programmes in the region, including programmes for individual participating countries and guidelines on regional cooperation, establishing regional training and test centres, arranging two expert group meetings and publishing a newsletter.

24. Another environment-related project aimed at controlling and reducing aflatoxin levels in copra and copra cake (whether for export or for consumption in producing countries) addresses the problem at the exporter or mill level as well as at the producer (village) level. Exporters will be sensitized to health risks of aflatoxins. They will be trained in quality control systems and methods of analysis using modern CD-ROM multimedia interactive courses. These courses will be produced by the project. By mapping aflatoxin levels according to geographical location, it will be possible to identify those areas that are most contaminated. Farmers of these specific areas will be trained in good manufacturing practices.

25. Application of the UNIDO quality programme of the food-processing sector of a cluster of South-East Asian countries is the aim of a project that will demonstrate and institutionalize a practical approach for industry modernization in a group of South-East Asian countries. The project applies modern concepts of quality management and continuous improvement techniques to increase the level of quality and competitiveness and enhance technical cooperation among the participating countries. During the demonstration phase, the programme—through national support institutions—will improve the performance of up to 20 enterprises in each selected country.

IV. ACTION REQUIRED OF THE BOARD

26. The Board may wish to take note of the information provided in the present document.